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FINRA plans to raise regulatory fees to stem losses
By Rob Burgess
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Even as most top executives at the Financial Industry Regulatory Authority (FINRA) saw their compensation go up, the regulator plans to raise fees for member firms, it revealed in its annual financial report, which was released in June.

FINRA reported a net loss of $22.2 million in 2023, driven by operating and other losses of $119.1 million and $5 million, respectively, that were offset by investment gains of $101.9 million.

Its reserve portfolio gained 7.3% in 2023 as broad stock and bond markets mostly recovered from double-digit losses in 2022 — a year in which FINRA notched a net loss of $218.1 million.

"While we have managed compensation expenses and made process and other improvements to improve FINRA's long-term financial sustainability without compromising the performance of our regulatory responsibilities, we continue to project that expenditures will outpace revenues in the next several years," wrote Robert W. Cook, president and CEO, and Todd T. Diganci, executive vice president and chief financial and administrative officer. "Accordingly and aligned with our multi-year financial strategic plan, we expect to continue drawing down our reserve portfolio to meet our operating and capital needs. This plan also includes maintaining our focus on prudent management of our expenses and eventually raising regulatory fees."

While the pair called the fee increases "necessary," they said they would seek to provide member firms with sufficient advance notice and phase them in over several years.

"We currently anticipate filing with the SEC later this year our plans for fee increases in subsequent years, and we will provide further details regarding these plans in due course," they wrote.

Cook took home $3.84 million in 2023, which was up from his 2022 compensation of $3.68 million — and up 156% from his 2017 compensation of $1.5 million. Other FINRA execs also saw bumps in their total pay packages, but Diganci's decreased to $1.7 million in 2023 from $1.79 million in 2022.

The total number of FINRA-registered representatives rose from 620,873 in 2022

to 628,392 in 2023, according to the 2024 FINRA Industry Snapshot, which was released Thursday.

That increase is part of a multiyear trend, as the number of registered representatives at brokerages also rose in 2022, up from 612,435 the previous year.

Most of the 2023 increase came from midsize and large firms. The average number of FINRA-registered representatives per firm was up from 187 in 2022 to 193 in 2023.

As it was last year, the four states with the largest number of registrations in 2023 were California, Florida, New York and Texas, with over 300,000 each, according to the latest report. Similarly, the states where firms were most likely to have a branch in 2023 were California, Florida, Illinois, New York, Ohio, Pennsylvania and Texas, all with over 5,000 branches each.